

The complaint

Mrs D complains that Scottish Widows Limited ('SWL') didn't do enough to make her aware of an investment policy that she owned. She also says that SWL failed to send her any statements for the last c20 years and that she's had to spend a considerable amount of time trying to resolve matters with them.

Mrs D states that she's been materially disadvantaged as a result and this has had an impact on her confidence. She would now like SWL to increase the level of redress they've offered her to put things right.

What happened

In February 1984, Mrs D took out a capital investment bond with SWL; she originally invested £1,000 and then three years later, she topped her plan up with a further £500. SWL issued regular bond statements to Mrs D until 22 February 2000, after which they were turned off because a subsequent annual statement was returned to them, resulting in SWL initiating their 'gone away' process. This meant future statements were sent to SWL's own office rather than the address they held on file for Mrs D.

In October 2022, SWL sent a letter to Mrs D asking her to contact them, explaining that she had a policy with them but the mail they'd previously issued had been returned. Mrs D telephoned SWL on 21 October 2022 and provided them with her details and confirmed her new address.

The following October, SWL issued a further letter, again asking Mrs D to contact them as they were of the view she held a policy with them where the mail had been returned. On 19 October 2023, Mrs D telephoned SWL again to discuss the letters that she'd received from them in the post. Following the call, Mrs D sent a follow-up letter to SWL trying to get to the bottom of the issue but when SWL replied, they wrote to their own holding address that they held for the investment bond, rather than the correct one that Mrs D provided in her discussions with them.

After not receiving a response to her letter, Mrs D telephoned SWL again on 21 February 2024. During this call, SWL updated their systems to reflect Mrs D's correct address and then following the discussion, policy information about the bond was issued in the post to her. The next day, Mrs D telephoned SWL again, this time to try and get to the bottom of two further policies that were mentioned in a letter that SWL had provided. During the conversation, Mrs D also asked how to surrender the bond and was provided with details of where to write to.

On 26 February 2024, Mrs D wrote to SWL asking them to encash her bond in full. After not hearing anything back, Mrs D telephoned SWL a week later to understand when she might receive her monies. However, the call handler that Mrs D had spoken to on her prior call failed to mention that they needed a 'wet' signature to action the surrender request. Mrs D submitted the 'wet' signature later that day but then issued a request to SWL shortly

afterwards asking them not to process the encashment until she'd better understood the impact of any tax on her bond.

A short time later, Mrs D decided to formally complain to SWL. In summary, Mrs D said:

- The early 2000's was an extremely stressful period in her life and as a consequence, her mind was on other matters, and she forgot that she held a policy with them. She said that she didn't think SWL had done enough to reunite her with her bond.
- She explained that given she also held a pension with them, she was disappointed that they'd not been able to tie the two policies together sooner.
- She was unhappy with the service that she'd received from SWL as she'd had to contact them on multiple occasions to get things resolved.
- She had been materially disadvantaged by SWL's failures and as a result, this had impacted her confidence when managing her finances.

After reviewing Mrs D's complaint, SWL wrote to her in April 2024 concluding that they hadn't delivered the service that they should have done. They also said, in summary, that as she held a pension with them and statements for that plan hadn't been returned, they could have reunited her with the bond earlier if they'd telephoned her.

In addition, SWL said that the additional calls and interactions that Mrs D had to make following her October 2022 call could have been avoided had they acted upon the information that she gave. To put things right, SWL said that they'd undertaken a comparison calculation – they'd looked at what the bond was worth when Mrs D received her last statement in February 2000 (which was £6,020), what the policy was worth as of the date of their resolution letter (which was £16,943) and then calculated what interest she would have received had she surrendered the bond in February 2000. SWL explained that their calculation showed Mrs D would have received net interest of £9,301.

In summary, SWL explained that their calculation showed that as the policy was worth £16,943, Mrs D was £1,621 better off by having left the monies invested. SWL stated that they were also offering £300 for the trouble caused and £48 to cover the cost of the telephone calls made. After recontacting SWL to explain she didn't think the redress was fair, SWL increased their offer for the hassle that they'd caused by a further £200.

Mrs D was unhappy with SWL's response, so she referred her complaint to this service. In summary, she said that she didn't think SWL had done enough to put things right for her. Mrs D also explained that:

- She wanted compensating for the distress and inconvenience that SWL's actions had caused. She explained that she felt SWL's offer was 'totally insulting', particularly in light of the fact that had anything happened to her, her dependents wouldn't have seen any of the investment. She said this had caused her numerous sleepless nights.
- In addition, she said that it was unreasonable for SWL to have calculated the potential financial impact on her using simple interest; she went on to say that she felt they should have used compound interest instead. Had they done, she said that over 24 years, her calculations show this would represent £38,205.
- She also wanted "repayment of fees on a net present value basis to reflect the impact of undeserved fees have had on the value of the bond".

- Given the time spent on the phone, she said that SWL's original offer (of £48) didn't reflect the time that she'd had to spend sorting things out with them.

The complaint was then considered by one of our Investigators. He concluded that SWL hadn't treated Mrs D fairly and were right to uphold her complaint, but the comparison calculations that they'd undertaken along with the redress for the trouble and upset that they'd proposed, looked fair and reasonable.

Mrs D, however, disagreed with our Investigator's findings. In summary, she said that she didn't feel SWL's offer of £548 reflected their multiple failures, the length of neglect, breach of GDPR or the emotional distress that she had endured in trying to resolve matters with them. Mrs D also said, in summary:

- It took SWL 22 years to even send out a tracing letter to her address. She felt that she'd been totally neglected throughout this entire period.
- Even after spending a lot of time on the phone with SWL, they didn't immediately fix the problem. She doesn't think it's reasonable that she had to phone SWL again the following year to chase things up with them.
- Her forgetting that she had this investment doesn't exonerate SWL from their fiduciary duty in keeping her informed and sending out valuations. She went on to say that part of the management fee she pays goes towards covering this.
- During this entire period, SWL were still issuing statements for her pension fund to the correct address and as such, they "should have been able to put two and two together".
- The assumptions that SWL have used to prove that she hasn't been disadvantaged are fundamentally incorrect. She went on to say that she finds it strange SWL have compared her product that is earning income on a compound basis to one that is earning interest on a simple basis and believes this is not consistent.

Our Investigator was not persuaded to change his view as he didn't believe Mrs D had presented any new arguments he'd not already considered or responded to. Unhappy with that outcome, Mrs D then asked the Investigator to pass the case to an Ombudsman for a decision.

After carefully considering both sets of submissions, I decided to issue a provisional decision on the case because whilst I planned to agree with our Investigator's initial view of the complaint, I wanted to add wider reasoning and ask the business to revisit their comparison calculation and bring it up to date. The aim of the provisional decision was to give both parties an opportunity to provide any further relevant evidence that they wished for me to consider before I reached a final decision.

What I said in my provisional decision:

I want to acknowledge to Mrs D that I very much gained a sense of both how frustrated and upset she is about the circumstances that she's found herself in. I've looked closely at all of the submissions that she's made as well as those from SWL in reaching my decision.

I have summarised this complaint in less detail than Mrs D has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules

allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

There seems little merit in re-covering what went wrong and when. Both parties to the complaint are well aware of the chain of events and SWL have already conceded that they didn't get things right. Instead, I will focus on what I find to be the key issue here, which is whether the actions that SWL have set out to put things right for Mrs D are fair and reasonable in the circumstances.

My role is to consider the evidence presented by Mrs D and SWL in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, whilst I'm upholding Mrs D's complaint, I'm not going to instruct SWL to do anything beyond what they've already proposed to do and I'll explain why below.

It's important to be clear about the level of service that Mrs D was paying for from SWL. As a non-advised customer, SWL don't provide any advice to Mrs D about the plan or its ongoing suitability. Outside of sending her statements, that means they're not obligated to contact her each year to make sure it's invested in the right funds or consider if any changes are necessary - that responsibility falls on her. Mrs D originally purchased the investment in February 1984, topping it up three years later with a further £500. Between the original investment and the last statement that was issued (February 2000) was 16 years. And, I well suspect during that window, she received regular statements from SWL about the progress of her investment. So, whilst SWL have conceded that they incorrectly stopped sending statements to Mrs D in 2000, she also had a responsibility to keep track of her investment and highlight any issues to them in a timely manner.

I've looked at the Bank of England's online inflation calculator, and £6,050 (the value of Mrs D's bond in February 2000 which is when the last statement was issued) would be equivalent to roughly £11,200 in today's money. Whilst I don't know about Mrs D's financial situation in 2000, I would imagine that amounted to a significant amount of money for her and not an amount that I think most consumers would easily forget about. Despite consumers' general obligation to manage their own finances, I am however sympathetic of what Mrs D has explained in her complaint to this service of her circumstances in the early 2000s as she had other more pressing issues occurring in her life beyond managing this investment.

Using financial services won't always be hassle free and sometimes mistakes occur. But, when they do, we'll typically ask the business to put the consumer back into the same position, or as close to the same position that they would have been in were it not the error. However, given the passage of time, we can't always say precisely what would have happened, so we have to consider what's fair and reasonable in the individual circumstances of the case.

To put things right, SWL said that they'd undertaken a comparison calculation – they'd looked at what the bond was worth when Mrs D received her last statement in February 2000 (which was £6,020), what the policy was worth as of the date of their resolution letter in April 2024 (which was £16,943) and then calculated what interest she would have received had she surrendered the bond in February 2000 up until April 2024. SWL explained that their calculation showed Mrs D would have received net interest of £9,301.

In summary, SWL explained that their calculation showed that as the policy was worth £16,943, Mrs D was £1,621 better off by having left the monies invested. Mrs D says that assumptions SWL have used to prove that she hasn't been disadvantaged are fundamentally incorrect. She went on to say that she finds it strange SWL have compared her product that is earning income on a compound basis to one that is earning interest on a simple basis and thinks this is not consistent - but, I don't agree. What we don't know is had Mrs D surrendered the policy in February 2000 and invested those monies elsewhere, what return she would have achieved. Whilst there's a possibility that Mrs D may have achieved a better return than the bond had delivered over that same period, there's also a possibility that any returns could have been less than the bond or indeed, she could have even incurred a loss.

When we ask a business to put things right for a consumer, we typically ask them to use an interest rate of 8% simple per annum in their cash calculations, which is what SWL have done in this instance. That doesn't mean we think that the consumer could've achieved 8% during that window (Bank of England interest rates during this period ranged from as high as 6% to as low as 0.25%), it's to take account (amongst other things) of the fact that the consumer has been deprived of their monies during that window. But it's important to recognise that this isn't an exact science and that's because we don't know what would have happened had the bond been encashed. Importantly, Mrs D was provided with a statement in 2000 but she didn't take the money out of the bond; she retained it. So, I think the approach that SWL have taken is fair and reasonable in the circumstances because it provides a comparator of a different return over the same window and I've not been presented with any evidence that demonstrates the monies would've been used in any other way. It is also important to understand that in some cases, the law requires the business to deduct income tax at the basic rate, whether or not the consumer is a taxpayer.

I think using February 2000 as the starting line for the calculation is fair because that's the point in time that we know the last statement was issued and served as a reminder to Mrs D that she had those funds and should she have wished, she could have encashed the plan. But, I don't think that it's reasonable for SWL to refund the charges within the plan as Mrs D has asked. That's because, despite SWL not having issued statements since 2000, they've still continued to manage Mrs D monies, delivered a return on those funds of around 1,000% and provided the associated custodial services for it, so I'm satisfied that's it right and proper that they retain their fees.

I've given very careful thought to the £500 that SWL have offered Mrs D for the trouble and upset that they caused. There's no doubt that Mrs D had to contact SWL on multiple occasions to get to the bottom of the issue and I can well imagine the frustration that this must have caused – SWL have already acknowledged that she was met with obstacles and poor service. However, taking account of the evidence presented to me, I'm satisfied that the offer of £500 is fair and reasonable in the circumstances and is in line with what I would have instructed SWL to pay Mrs D had they not already offered to do so.

I'm also satisfied that the £48 contribution that SWL have offered towards the costs of Mrs D's telephone calls is reasonable in the circumstances.

Responses to my provisional decision

SWL explained that they accepted the provisional decision and had nothing further to add.

After reviewing the provisional decision, Mrs D said that she still believed using simple interest to compare whether she'd been financially disadvantaged was fundamentally unfair. She went on to say, in summary, that on her product, interest is earned on a compound basis so she didn't feel it was right that SWL's comparison calculation used simple interest.

Mrs D explained that whilst she agreed accruing interest on a compound basis at 8% is not guaranteed, that doesn't mean it is the compounding that is wrong; she said that the 8% rate set by this service is potentially too high and choosing a more realistic rate, of 5%, and compounding her valuation from 2000 for 25 years would get to over £20,000, considerably more than the current valuation of her bond (£18,373).

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having considered Mrs D's additional comments, I'm satisfied that SWL's methodology of comparing what she might have achieved had she taken the monies from her bond in 2000 is reasonable. Whilst I accept that her existing bond provides compounded returns and SWL's calculation works on a simple interest basis, there's no evidence to suggest that whatever instrument Mrs D placed those monies into, if anything at all, would also provide a compounded return. I do appreciate Mrs D's comments about using a different, or lower interest rate (than the 8%) in a compounding calculation, but using a rate of 8% simple is the broadly accepted benchmark across the financial services industry and is the rate generally used by HM Court Service too.

So, I think SWL's methodology is fair and reasonable in the circumstances because it provides a comparator of a different return over the same window and I've not been presented with any evidence that demonstrates the monies would've been used in any other way.

So, as I've not been presented with any new evidence, it therefore follows that I've reached the same conclusion for the same reasons that I set out in my provisional decision (above). I therefore require SWL to put things right for Mrs D in the manner that I've set out below.

Putting things right

Given the time that's elapsed since SWL undertook their comparison calculation, they should re-run the calculation set out in their complaint resolution letter of 5 April 2024, to bring the figures up to date.

For the avoidance of doubt – SWL should calculate the value of the investment bond as of 22 February 2000 and add 8% simple interest p.a. until the date of my final decision. They should then compare that amount with the value of the investment bond at the date of my final decision and establish whether Mrs D would have been better off financially by surrendering the bond in February 2000. If the calculation demonstrates that she would have been better off surrendering the bond in February 2000, SWL should pay Mrs D the difference between the two amounts. SWL should take account of any income tax obligations in their calculations.

If the calculation shows that Mrs D's investment bond would have delivered more than the 8% simple interest pa calculation, there is no financial impact and no redress on this element is payable.

SWL should pay Mrs D the £500 for the trouble and upset caused along with a further £48 towards her telephone costs.

Mrs D states that she did not present SWL's cheques (from 8 April 2024 and 28 April 2024) to her bank whilst her complaint was with this service and that they have now expired. Therefore, SWL should re-issue the £548 cheque payment to Mrs D – if SWL wish before doing so, they're entitled to ask Mrs D to return the two expired cheques.

My final decision

Scottish Widows Limited has already made an offer to pay Mrs D £548 to settle the complaint and I think this offer is fair and reasonable in all of the circumstances.

So, my final decision is that Scottish Widows Limited should pay Mrs D £548 and re-undertake their comparison calculation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 12 March 2025.

Simon Fox
Ombudsman